



City of
HUNTINGTON PARK california
COMMUNITY DEVELOPMENT DEPARTMENT

6550 MILES AVENUE
HUNTINGTON PARK, CA 90255

**COMMUNITY DEVELOPMENT DEPARTMENT
OVERSIGHT BOARD REPORT**

SPECIAL OVERSIGHT BOARD MEETING OF NOVEMBER 21, 2012

Honorable Members of the Oversight Board:

RECEIVE AND REVIEW THE DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME HOUSING FUND IN ACCORDANCE WITH HEALTH AND SAFETY CODE SECTION 34179.5 AND CONVENE THE PUBLIC COMMENT SESSION

This memorandum is prepared for the Oversight Board meeting scheduled for November 21, 2012.

IT IS RECOMMENDED THAT THE OVERSIGHT BOARD:

- 1) Adopt the attached resolution approving the Due Diligence Review for the Low and Moderate Income Housing Fund pursuant to Health and Safety Code Section 34179.5

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Each successor agency is required to submit the Due Diligence Review to the oversight board as per Health and Safety Code Section 34179.6. There are two categories of due diligence reviews, which determine the amounts available for distribution from:

- Low and Moderate Income Housing Fund ("LMIHF").
- Other Successor Agency funds (Non-Housing Funds).

Upon receipt of the Due Diligence Review ("DDR"), the oversight board must convene a public comment session, at least five business days prior to the approval vote. The Oversight Board also must consider any opinions offered by the County Auditor-Controller. *The Oversight Board held the required public comment session regarding the Due Diligence review on November 14, 2012.*

The DDR for the LMIHF is to be received and approved by the Oversight Board, Auditor-Controller, State Controller and the Department of Finance (DOF) no later than October 1st. In anticipation of delays, DOF requested that successor agencies which cannot meet the deadline, to notify the DOF and provide a projected date of completion. On September 25, 2012, the City's Finance Department notified the DOF that additional time will be needed, and staff will be completed as soon as possible.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Pursuant to AB 1484, the Successor Agency must contract with a certified public accountant, approved by the County Auditor-Controller to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities. The Auditor-Controller approved the Successor Agency's requested audit firm, Vasquez & Company, LLP, on September 25, 2012.

The due diligence review must include the following:

1. A valuation of all cash assets transferred from the former redevelopment agency to the Successor Agency on February 1, 2012;
2. The value of all cash assets transferred from the redevelopment agency or Successor Agency to the City between January 1, 2011 and June 30, 2012; and
3. Dollar value of any cash transferred from the redevelopment agency or Successor Agency to any other public agency or private party between January 1, 2011 and June 30, 2012.

FISCAL IMPACT OF PROPOSED ACTION:

Summary of Due Diligence Review findings:

- a. Cash Balances - The balance of the LMIHF at the:
 - As of February 1, 2012, cash and investments totaled \$1,616,319
 - As of June 30, 2012, cash and investments totaled \$1,542,123.

The Successor Agency used all available cash, including the monies in the LMIHF to meet the debt service payments due on the 1994 Series A Tax Allocation Bond. Although the Agency used all available cash on hand, it was still required to draw on the bond reserve to meet its debt service obligations as set forth in ROPS II.

- b. The LMIHF fund did not own any real estate assets at the time of dissolution.

On July 12, 2012 the Successor Agency adopted Resolution No. 2012-36 electing not to become the Housing Successor to the former redevelopment agency. Accordingly, pursuant to Health and Safety

Code Section 34176 (b) the housing successor's responsibilities were transferred to the local housing authority (Housing Authority of the County of Los Angeles)

- c. The LMIHF had accumulated \$28.5 million in loan deferrals from the other project areas in the Redevelopment Agency, this amount represented the deferral of the 20% tax increment set aside in favor of bond debt service. The \$28.5 million obligation was not transferred to the Successor Agency.
- d. There were no balances in unspent bond proceeds.
- e. There were no balances in unspent Grant proceeds.

There is a \$7,200 expense connected to the preparation of the LMIHF Due Diligence report by Vasquez & Company, LLP.

CONCLUSION

Staff recommends that the Oversight Board Adopt the attached resolution, (i) approving the Due Diligence Review for the Low and Moderate Income Housing Fund pursuant to Health and Safety Code Section 34179.5, as presented.

Respectfully submitted,

RENÉ BOBADILLA, P.E.
City Manager

JULIO MORALES
Finance Director

Jack Wong
Interim Community Development Director

Attachments:

- A. Due Diligence Review for the Low and Moderate Income Housing Fund

APPENDIX

Additional Key Deadlines for the Due diligence review:

- November 9, 2012 - the DOF must complete its review of the Due Diligence Review and must notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain Restricted Assets. The DOF must provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board. The successor agency then has the option to meet and confer with DOF to discuss any modifications.
- December 1, 2012 - the county auditor-controller must provide DOF a report specifying the amount submitted by each successor agency from the LMIHF, and specifically noting any successor agency that failed to remit the full required amount.
- December 15, 2012 - The review for all other funds and accounts must be completed. Section 34179.5 also requires a similar review of all other funds and accounts held by the successor agency to determine unobligated balances available for transfer to taxing entities.
- April 20, 2013 - The county auditor-controller must provide DOF a report specifying the amount submitted by each successor agency from all other funds and accounts, and specifically noting any successor agency that failed to remit the full required amount.

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**A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY
TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF
HUNTINGTON PARK APPROVING THE DUE DILIGENCE REVIEW OF THE LOW
AND MODERATE INCOME HOUSING FUND CONDUCTED PURSUANT TO
HEALTH AND SAFETY CODE SECTION 34179.5 AND TAKING CERTAIN OTHER
ACTIONS IN CONNECTION THEREWITH**

RECITALS:

A. Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Community Development Commission of the City of Huntington Park transferred to the control of the Successor Agency to the Community Development Commission of the City of Huntington Park (the "Successor Agency") by operation of law.

B. Health and Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

C. Health and Safety Code Section 34179.6 requires the Successor Agency to submit the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (the "Due Diligence Review") to the Successor Agency's Oversight Board (the "Oversight Board") for the Oversight Board's review and approval.

D. Pursuant to Health and Safety Code Sections 34179.6 and 34180(j), the Successor Agency submitted to the Oversight Board, the county administrative officer, the county auditor-controller, the State Controller and the Department of Finance ("DOF") the Due Diligence Review and a copy of the Recognized Obligation Payment Schedule ("ROPS").

E. Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Due Diligence Review, and at least five business days before the Oversight Board considers the approval

1 of the Due Diligence Review, the Oversight Board must hold a public comment session (the "Public
2 Comment Session") at which time the public has an opportunity to hear and be heard on the results
3 of the Due Diligence Review and at which time the Oversight Board considers the opinions, if any,
4 offered by the county auditor-controller on the results of the Due Diligence Review.

5 F. On November 14, 2012, the Oversight Board held the Public Comment Session
6 pursuant to Health and Safety Code Section 34179.6 (b).

7 G. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board must
8 review, approve and transmit to DOF and the county auditor-controller, the determination of the
9 amount of cash and cash equivalents in the LMIHF available for disbursement to taxing entities as
10 determined according to the method provided in Section 34179.5. Section 34179.6 (c) provides that
11 the Oversight Board may adjust any amount provided in the Due Diligence Review to reflect
12 additional information and analysis.

13 H. Section 34179.6(c) empowers the Oversight Board to authorize the Successor
14 Agency to retain assets or funds identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of
15 subdivision(c) of Section 34179.5. If the Oversight Board makes this authorization, the Oversight
16 Board must identify to DOF the amount of funds authorized for retention, the source of those funds,
17 and the purposes for which those funds are being retained. The determination and authorization to
18 retain funds and assets shall be subject to the review and approval of DOF pursuant to Health and
19 Safety Code Section 34179.6(d).

20 I. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board desires
21 to approve the Due Diligence Review and to authorize the Successor Agency to retain the assets
22 and funds, if any, identified pursuant to subparagraphs (B) to (E), inclusive, of paragraph (5) of
23 subdivision(c) of Section 34179.5, as documented in the Due Diligence Review.

24 **NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE**
25 **COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF HUNTINGTON PARK HEREBY**
26 **FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:**

27 Section 1. The above recitals are true and correct and are a substantive part of this
28 Resolution.

Section 2. This Resolution is adopted pursuant to Health and Safety Code Section 34179.6(c).

Section 3. The Oversight Board hereby approves the Due Diligence Review as presented on file with the Secretary.

Section 4. For the purposes of providing for the transfer of housing functions and assets pursuant to Health and Safety Code Sections 34176 and 34181(c), the Oversight Board hereby authorizes the Successor Agency to retain the assets and funds, if any, identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5, as documented in the Due Diligence Review, which provides the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained.

Section 5. The staff of the Successor Agency is hereby directed to transmit to DOF and the county auditor-controller written notice and information regarding the actions taken by this Resolution and specifically the determination of the amount of cash and cash equivalents in the LMIHF that are available for disbursement to taxing entities as determined according to the method provided in Health and Safety Code Section 34179.5. Such notice to DOF shall be provided by electronic means and in a manner of DOF's choosing.

Section 6. The staff and the Board of the Successor Agency are hereby authorized and directed, jointly and severally, to execute and record such documents and instruments and to do any and all other things which they may deem necessary or advisable to effectuate this Resolution and any such actions previously taken are hereby ratified.

PASSED AND ADOPTED this 21st day of November, 2012.

Chair

ATTEST:

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Secretary

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3 STATE OF CALIFORNIA)
4 COUNTY OF LOS ANGELES) SS
5 CITY OF HUNTINGTON PARK)

6 I, Rhonda Rangel, Secretary of the Oversight Board, DO HEREBY CERTIFY that the
7 foregoing Oversight Board Resolution No. OSB 2012-3 was duly adopted by the Oversight Board
8 and approved by the Chair at a meeting of said Oversight Board held on the 27th day of August,
9 2012 and that it was so adopted as follows:

10
11 AYES: Oversight Board Members-

12 NOES: None.

13 ABSENT: None.

14 ABSTAINING: None.

15 Dated:
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19 Ivonne Evelyn Umana (Rhonda Rangel), Deputy Clerk
20 Los Angeles County Board of Supervisors
21 Acting as Secretary to the Huntington Park Oversight Board
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**Successor Agency to the Dissolved
Huntington Park Community Development Commission
Low and Moderate Income Housing Fund**

**Agreed-upon Procedures Report
Pursuant to Health and Safety Code Sections 34179.5 and 34179.6 (AB 1484)**

**Successor Agency to the Dissolved Huntington Park Community Development
Commission
Agreed-upon Procedures Report
Pursuant to Health and Safety Code Sections 34179.5 and 34179.6 (AB 1484)
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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Oversight Board

**Successor Agency to the Dissolved Huntington Park Community Development Commission
6550 Miles Avenue
Huntington Park, California 90255**

We have performed the agreed-upon procedures enumerated in Attachment A, which we have been advised were developed by the California Society of Certified Public Accountants and generally agreed to by the California State Controller's Office and Department of Finance, solely to assist you in ensuring that the Successor Agency to the dissolved Huntington Park Community Development Commission (Successor Agency) is complying with certain statutory requirements with respect to Health and Safety Code Sections 34179.5 and 34179.6, as they apply to the Low and Moderate Income Housing Fund of the Successor Agency. Management of the Successor Agency is responsible for the accounting records pertaining to statutory compliance. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A, as they apply to the Low and Moderate Income Housing Fund of the Successor Agency.

Attachment B identifies the results of the procedures performed.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment B. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Successor Agency to the dissolved Huntington Park Community Development Commission, and applicable State agencies, and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Vasquez + Company LLP

**Los Angeles, California
November 12, 2012**

List of Procedures for Due Diligence Review

Citation:

34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

Suggested Procedure(s):

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Up On Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Citation:

34179.5(c)(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

Suggested Procedure(s):

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Citation:

34179.5(c)(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

Suggested Procedure(s):

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Citation:

34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconcile balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.

Suggested Procedure(s):

4. Perform the following procedures:

- A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of the Schedule of Financial Transactions for information purposes.
- B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers account fully for the changes in equity from the previous fiscal period.
- C. Compare amounts in the Schedule of Financial Transactions relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
- D. Compare amounts in the Schedule of Financial Transactions for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Citation:

34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

- (A) A statement of the total value of each fund as of June 30, 2012.

Suggested Procedure(s):

- 5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

Citation:

34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

Suggested Procedure(s):

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
 - A. Unspent bond proceeds:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - B. Grant proceeds and program income that are restricted by third parties:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - C. Other assets considered to be legally restricted:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
 - D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the

period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

Citation:

34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

Suggested Procedure(s):

7. Perform the following procedures:

- A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
- B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
- C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
- D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Citation:

34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

Suggested Procedure(s):

8. Perform the following procedures:

- A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (Schedule of Asset Balances) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The Schedule of Asset Balances should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
 - i. Compare all information on the Schedule of Asset Balances to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
 - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedules (ROPS) approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was associated with the enforceable obligation.
- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
 - i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
 - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
 - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
 - iii. For the forecasted annual revenues:

Attachment A

Successor Agency to the Dissolved Huntington Park Community Development Commission
Agreed-Upon Procedures

- a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.
- C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
 - i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
 - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
 - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.
- D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.
 - i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
 - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
 - iii. Include the calculation in the AUP report.

Citation:

34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

Suggested Procedure(s):

9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

Citation:

34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

Suggested Procedure(s):

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor- Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

Attachment B

**Successor Agency to the Dissolved Huntington Park Community Development Commission
Low and Moderate Income Housing Fund
Summary of Results**

The results of the procedures performed on the Low and Moderate Income Housing Fund, as described in Attachment A, are as follows:

Citation:

34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

Procedure No. 1 Results

Based on the Agreed-Upon Procedures (AUP) report issued by Vasquez & Company LLP on June 28, 2012, the former redevelopment agency has established a new accounting fund (Fund 272) in order to account for the transfer of the Low and Moderate Income Fund balances to the Successor Agency. However, the accounts were transferred in March 2012 through May 2012 through journal entries and included the following:

<u>Type</u>	<u>Amount</u>
Cash on Deposit	\$ 1,616,319
Loans Receivable	140,621
Total	\$ <u>1,756,940</u>

The above balances were agreed to the Successor Agency's trial balance in March, April and May 2012. The following account balance was not transferred to Fund 272 of the successor agency:

Advances to other funds	\$ 28,474,555
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Advances to other funds of \$28.5 million represent deferral of the 20% tax increment set aside in prior years to provide sufficient funds to pay off the former redevelopment agency's indebtedness.

Citation:

34179.5(c)(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

Procedure No. 2 Results

- 2A The Successor Agency asserted that there were no transfers made by the Low and Moderate Income Housing Fund or the Successor Agency to the city, county, or city and county that formed the redevelopment agency after January 1, 2011 through January 31, 2012.
- 2B. The successor agency asserted that there were no transfers made by the Low and Moderate Income Housing Fund to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012.
- 2C. This procedure is not applicable. See notes under 2A and 2B.

Low-Mod Transfers

6614 & 6700 Middleton

The Community Development Commission (Commission) provided HOME and Low-Mod Set aside loan to construct eleven affordable housing units at 6614 & 6700 Middleton (the "Middleton Project"). An Affordable Housing Loan Agreement with a non-profit housing developer, Oldtimers Housing Development Corporation IV, was approved on December 3, 2007. This agreement was amended in subsequent years to fund additional acquisition, soft costs and construction expenses. The following provides a summary of the agreement and subsequent amendments.

- Land Purchase- 6 units at 6700 Middleton (Original Agreement: December 3, 2007) \$804,000 in HOME loan: 3% residual receipts note for 55 years.
- Land purchase and soft costs- 5 units at 6614 Middleton (October 20, 2008). \$1,525,300 loan (HOME \$1,388,300 and Low-Mod Set-Aside \$137,000): 3% residual receipts note for 55 years
- Construction expenses (May 16, 2011): \$4,762,000 loan (HOME \$2,040,715 and Low-Mod Set Aside funds \$2,721,285).

The 2011 amendment revised the interest rate on all of the outstanding HOME and Low-Mod Set Aside loans to 0.5%. The repayment term (55 yrs) remained unchanged.

On May 25, 2012, the Department of Finance approved the Middleton Project obligation under ROPS II. To date, the Successor Agency has incurred a total of \$523,594 in eligible project expenses from the Low-Mod Set Aside Loan obligation of \$2,721,285. These expenses represent payments incurred for soft cost (architectural & project management fees) and payoff of a private loan of \$436,776 for the 6700 Middleton property.

Residential Rehabilitation Loan, Felipe Patlan and Lorena Patlan, 6816 Hollenbeck Street.

On March 1, 2007 the Community Development Commission of the City of Huntington Park provided a \$50,000, 0% interest loan to Felipe Patlan and Lorena Patlan. The note does not require any periodic payments. The note is due and payable if the property ceases to be the principal resident of the Borrower.

Rehab Financial - \$90,000

The Community Development Commission of the City of Huntington Park utilized services of an escrow company, Rehab Financial, to disburse payments to contractors and consultants for residential and commercial rehabilitation programs. In early 2010 the City was notified that the escrow company was closed for business due to embezzlement of public funds by its owner. On September 27, 2010 the Commission filed a Declaration of Victim Losses and Victim Impact Statement against Rehab Financial. The \$90,000 represents the amount owed by Rehab Financial. The full amount of this obligation has been classified as an uncollectable due to the bankruptcy filing by the borrower.

Attachment B

**Successor Agency to the Dissolved Huntington Park Community Development Commission
Low and Moderate Income Housing Fund
Summary of Results**

Citation:

34179.5(c)(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

Procedure No. 3 Results

- 3A. The successor agency asserted that there were no transfers made by the Low and Moderate Income Housing Fund to any other public agency or private party for the period from February 1, 2012 through June 30, 2012.
- 3B. The successor agency asserted that there were no transfers made by the Low and Moderate Income Housing Fund to *any other public agency or private party* for the period from February 1, 2012 through June 30, 2012.
- 3C. This procedure is not applicable. See notes under 3A and 3B.

Citation:

34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.

Procedure No. 4 Results

Procedure 4 is not applicable to the Low and Moderate Income Housing fund.

Citation:

34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

- (A) Statement of the total value of each fund as of June 30, 2012.*

Procedure No. 5 Results

The balances in Attachment B-1 were agreed to the Low and Moderate Income Housing Fund trial balance as of June 30, 2012, without exception.

Citation:

34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

Procedure No. 6 Results

The successor agency asserted that the Low and Moderate Income Housing Fund assets as of June 30, 2012 did not include the following:

- 6A. Unspent bond proceeds
- 6B. Grant proceeds and program income that are restricted by third parties
- 6C. Other assets considered to be legally restricted

Procedure 6D is not applicable because the Low and Moderate Income Housing Fund did not have unspent bond proceeds, grant proceeds and program income that are restricted by third parties and other assets considered to be legally restricted.

Citation:

34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

Procedure No. 7 Results

- 7A Refer to Attachment B-2.
- 7B The assets listed under 7A was traced and agreed to the trial balance of the LMIHF as of June 30, 2012. The loans receivable balance was traced to supporting documents.
- 7C This procedure is not applicable. We noted no differences in 7B.
- 7D This procedure is not applicable. The asset listed under 7A represents loans receivable, which is recorded at net realizable value.

Citation:

34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount

Attachment B

**Successor Agency to the Dissolved Huntington Park Community Development Commission
Low and Moderate Income Housing Fund
Summary of Results**

and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

Procedure No. 8 Results

The successor agency asserted that the current balances are not legally or contractually dedicated or restricted for the funding of an existing enforceable obligation. Thus, Procedures 8A, 8B, 8C and 8D are not applicable.

Citation:

34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

Procedure No. 9 Results

The remaining current balance of the Low and Moderate Income Housing Fund as of June 30, 2012 amounting to \$1,542,123 is needed to satisfy enforceable obligations (debt service payments) of the successor agency.

On July 9, 2012, the County of Los Angeles Auditor-Controller issued a Notice of Demand for Payment Pursuant to Health and Safety code Section 34183.5(b) demanding for the return of \$2.6 million residual Redevelopment Property Tax Trust Fund (RPTTF) because of enforceable obligations submitted in ROPS I to the Department of Finance did not account for uneven bond debt service payments of the 1994 tax allocation Refunding Bonds. ROPS I reported 1,795,589 and ROPS II reported 5,206,573 in required bond debt service. The successor agency returned \$2,579,660 to the County of Los Angeles on July 12, 2012. As a result, the successor agency asserted that it has insufficient money on its RPTTF to fund its maturing obligations (debt service payments) including debt service payments for bonds outstanding from July 1, through December 31, 2012.

The Successor Agency asserted that the current balance of \$1,542,123 as of June 30, 2012 in the Low and Moderate Income Housing Fund was transferred to the successor agency fiscal agent debt service fund to help fund the debt service payment of 1994 Series A Tax Allocation Refunding Bonds that became due in September 2012. This transaction was traced and agreed to bank statements provided by the successor agency. The successor agency asserted that the current balance needs to be retained to satisfy enforceable obligations of the former redevelopment agency for the period of July 1, 2012 through June 30, 2013. See Attachment B-3.

Citation:

34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

Procedure No. 10 Results

Refer to Attachment B-4.

Attachment B-1

**Successor Agency to the Dissolved Huntington Park Community Development Commission
Assets of the Low and Moderate Income Housing Fund
As of June 30, 2012**

<u>Type</u>	<u>Non-Housing</u>
Cash on Deposit	\$ <u>1,542,123</u>

Note: Per Procedure No. 5, the above list includes only the assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012. Housing assets that were transferred to the successor housing agency are not included in the above list.

Attachment B-2

Successor Agency to the Dissolved Huntington Park Community Development Commission
List of Assets that are not Cash or Cash Equivalents –
Low and Moderate Income Housing Fund
As of June 30, 2012

Assets that are not Cash or Cash Equivalents	Amount	Classification	
		Housing	Non-Housing
Loans Receivable	\$ 140,621	140,621	-
Total	\$ 140,621	140,621	-

Attachment B-3

**Successor Agency to the Dissolved Huntington Park Community Development Commission
List of Asset Balances Dedicated for Funding of Enforceable Obligations
As of June 30, 2012**

Resources available to fund enforceable obligations for fiscal year 2012-2013

Asset balance

Cash	\$ <u>1,542,123</u>	
Total resources available to fund enforceable obligations		\$ 1,542,123

Enforceable obligations

Bond obligations

Tax Allocation Refunding Bonds 1994 Series A	<u>5,206,573</u>	
Total enforceable obligations		<u>5,206,573</u>

Net balance		\$ <u><u>(3,664,450)</u></u>
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Note: The 1994 Tax Allocation Bonds debt service amounting to \$5,206,573 was traced and agreed to the ROPS for the period from July 1 to December 31, 2012.

Attachment B-4

**Successor Agency to the Dissolved Huntington Park Community Development Commission
Summary of Balances Available For Allocation to Affected Taxing Entities
Low and Moderate Income Housing Fund**

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 1,542,123
Add the amount of any assets transferred to the City or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	-
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	(1,542,123)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	-
Amount to be remitted to county for disbursement to taxing entities	\$ -

